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EXECUTIVE OFFICE OF THE PRESIDENT
Bureau of the Budget
Washington, D. C. 20503

March 29, 1966

MEMORANDUM FOR: Mr. John Clarke

I am sending you some copies of a Program Evaluation Checklist that we will be using in the Budget Bureau in the coming months. You might want to circulate copies of the checklist to members of your staff and throughout the agency.



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Assistant Director

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29 March 1966

PROGRAM EVALUATION CHECKLIST

The following list of questions has been assembled for the use both of consumers and producers of key documents in the Planning-Programming-Budgeting System. It focuses mainly on the analyses to be reflected in the Program Memoranda (PM) although some points relate to the Program and Financial Plans (PFP).

I. OBJECTIVES

Perhaps the most difficult and important task of analysis of programs in the public sector is being clear on objectives and the contribution of specific programs to specific objectives.

✓ 1. What assertions are made about overall national objectives? What authority is quoted? The President? The Congress? The Agency Head? How specific and concrete is the statement of objectives? To what extent is the Government committed to these objectives? What form does the commitment take? Presidential statements? Statutes? Agreement with Congressional committees? Moral obligations? How much room for interpretation is there? For example, is it clear over what time period the objectives should be met? Does the PM translate general, abstract, vague objectives into operationally meaningful ones?

2. Is it clear what should be the Federal Government's responsibility re the cited or proposed objectives? Has the alternative of greater contribution by State and local agencies or the private sector been considered? Should it be a Federal responsibility at all?

3. Is the relationship between broad national goals and specific agency goals clearly stated? Is it reasonable? What policies, legislation and statements of fact are implicit in the objectives? Should they be made explicit? Are they right?

4. Are the agency goals stated in terms which have operational meaning? Have they been expressed quantitatively? Is there a time table for accomplishment?

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5. Has the relationship among related goals in different parts of the same agency or in different agencies been made explicit (e.g., the War on Poverty)? Does the analysis adequately take into account other efforts to accomplish these goals -- efforts by other agencies of the Federal Government, by State or local governments, or by the private sector? Is the impact of the agency's programs on the goals of other agencies noted?

6. Have the agency's priorities among objectives and programs been made clear? If more, or fewer, funds are available than in the basic case assumed by the agency, is it evident what the agency would propose to add or delete from its programs?

7. What is the evidence that the alleged "need" for goods and services exists in the sense that people would be willing to pay for the service? Given this evidence, does the analysis show that the agency's proposed scale of operation is best? Or has the agency proposed fulfillment of all potential "need" for the service by employing an implicit price level of zero? On the other hand, has it stopped short of fulfilling demand willing to meet the proper price? Why? Was a budget constraint the reason for this? Can a better budget justification be made if this is the case (perhaps as the result of further study)?

II. MEASURES OF EFFECTIVENESS

The private sector (and certain business-like governmental activities) have profits which serve as a guide to performance; most governmental agencies have to develop their own specific indicators of performance. This is often difficult to do well and errors of various kinds are frequent.

1. To what extent are the tangible, measurable outputs of the program used by the agency adequate indicators of the extent to which the overall purposes of the program are being achieved? If inadequate, what better measures of performance might be used?

2. Are there clearly identified criteria offered by which to judge program performance? How adequate do they seem to be? Are there some alternative criteria that should be considered?

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3. Have outputs been quantified to the extent useful? Where quantitative measures of program performance are missing are there logical, convincing qualitative assessments? Has the agency gone too far and attempted to quantify the unquantifiable? Is it clear where dependence on the quantitative outputs leaves off and judgment takes over?

4. Are there close substitutes for these outputs which will affect the demand for them? Are these substitutes considered in the analysis?

III. FINANCIAL DATA

Whereas it is often very difficult to define and obtain good measures of program effectiveness, the cost side is usually easier to cope with. And often a better understanding of costs can be very useful in improving program performance.

1. Does the PM present the costs that are relevant to the issues analyzed? Have systems costs estimates been developed and presented? How complete and how accurate are these estimates? Have any valuable inputs been ignored? Are all directly related support, training and construction costs included? What additional cost analytic efforts are suggested by the quality of the agency's cost data?

2. Does the analysis describe the bases for the cost estimates? Do the estimates look reasonable?

3. Have sunk costs -- past sacrifices -- been omitted as they should be, except where there are significant salvage values? Have they been considered where they should be -- i.e. in the evaluation of the past program?

4. In systems with multiple products, have only the nonavoidable costs been charged to a given program, or have common costs been arbitrarily allocated? What is the purpose of the allocations? Have popular programs been saddled with part of the burden of less attractive programs? That is, have costs been shifted from where they should properly be charged to where they can most easily be funded?

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Have costs been shifted from products with easily measured output to products with only qualitative outputs? For example, in a multipurpose dam project, are costs overallocated to recreation and underallocated to irrigation or power products?

5. Is the agency too optimistic in its assumptions on funds likely to be available for its programs? What effect should more modest assumptions have on the conclusions?

6. Is there available a record of successive agency cost estimates over time of new programs? What does this suggest about the accuracy of current claims? Why shouldn't the agency be asked to have available a record of its estimates?

7. Is there a "sensitivity analysis" to show the effect of uncertainty in cost estimates on conclusions? What evidence is adduced in support of its cost estimates?

8. Have future benefits and costs been discounted? For example, if a proposed project is compared with existing ones for which future savings are expected, are those future savings discounted? On the other hand, is the case for discounting future outlays and benefits negated by the existence of a brief time span for the project, or by uncertainties?

9. Is the chosen discount rate reasonable, i.e., does it reflect alternative uses of investible funds? How sensitive are conclusions on preferred programs to the choice of discount rates?

IV. SOME ADDITIONAL POINTS

Treatment of Alternatives

1. How thoroughly have alternative methods for accomplishing the same objectives been analyzed? Are there alternatives involving different tactics or techniques, different modes of production (more or less capital intensive), different priorities, different mixes of Federal vs. State and local expenditures, different financing methods, different legislative requirements? Were different levels for the agency's preferred program studied? Are mixtures of systems considered among the alternatives?

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2. Have the costs and effectiveness of the major alternatives been properly assessed? Have tradeoffs been made between present and proposed programs? Were the criteria, costing methods and time span the same as for the proposed program, i.e., was the comparison fair?

3. Has adequate account been taken of the need to examine programs at the margin? Quite often the issue is not whether to have a program at all, but whether to make marginal changes in the program level or composition. Does the analysis deal with specific issues in terms of the marginal benefits and marginal costs? Does the data displayed show the effect of marginal changes or current marginal operations?

4. Has the presentation of program data in terms of arithmetic averages concealed important information about the spread in values? If an analysis supports certain conclusions about a program based on these averages, might there nevertheless be important exceptions? What are they? Should they be examined?

5. Are the alternatives analyzed real options for the agency head? Does he really have a choice? On the other hand, is there inability or unwillingness to consider radically different programs?

6. Have the constraints on the program area been explicitly treated? What are they? Have ways of modifying the constraints been explored? What reasons have been given for rejecting alternative objectives or programs? Efficiency? Statutory prohibitions? Organizational limitations? Lack of trained personnel? Lack of capital? Inadequate technology?

Models

1. Is there presented a model or simplified, quantitative description of some important aspects of the program? If this hasn't been attempted for a broad program area, has it been attempted for some important parts? Has the analyst failed to structure the important relationships explicitly? How adequately does the model seem to

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explain observed phenomena? Does it rest on structural relationships or is it based entirely on statistical correlation, i.e., is a theory offered? Does it seem plausible?

2. Can you suggest specific improvements on the model? What factors should be included that have been left out?

3. Has the analyst engaged in excessive modelism, i.e., does his work reflect more interest in the model than in the real world? Has he focused on manipulating a computational method at the expense of dealing with important factors in a sensible way?

4. Are there severe suboptimizations? Have elements that should be regarded as variables by the agency head or the President been allowed to vary, or are there restrictions imposed in the process of dividing the analysis into lower level problems?

Treatment of the Future

1. Has the proper span of years been considered? Does the PFP or the PM go too far, or not far enough, into the future? Beyond the immediate period, is there simply a mechanical projection of recent trends which fails to take adequate account of possible changes in policy, technology, costs, or availability of funds?

2. Has an explicit, time phased, decision strategy been presented which allows for options being opened up and foreclosed, research being done, experiments being carried out, and data gathered? Alternatively, is the program area characterized by a collection of unstructured ad hoc programs and decisions without a coherent theory? If the latter, what should be done to improve the situation?

3. Does the PM show a range of possible future options as to program objectives and means of achieving these objectives? Does it show over what period of time in the future it should become possible to choose among these options? Does it show what evidence should dictate a choice among options?

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4. Is the proposed program level shown dependent on how well the program performs over the next year or two? Is there any discussion of the evidence that should dictate cutting off the program entirely or redirecting it drastically?

5. Have economic, demographic, cultural trends been explicitly taken into account? How adequately?

Uncertainty

Program uncertainty can be of various kinds: e.g., there can be uncertainty because of a lack of clarity in objectives, risk (statistical uncertainty), new technology, factors external to the program (e.g., the future level of economic activity), inadequate bases for estimating costs, and inadequate bases for estimating consumer demand.

1. Have the adequacies and inadequacies of data on major issues been discussed? Where data are inadequate, does the PM state what action will be taken to improve the situation?

2. Aside from data problems, are there important underlying uncertainties about program effectiveness or costs? Is there important technological uncertainty? Does the PM state what additional analysis or research is being undertaken to reduce these uncertainties?

3. Have "sensitivity tests" been carried out to determine how the uncertainties affect program recommendations? (e.g., Has a "break even" analysis been made which shows what the value of an uncertain parameter would have to be in order to get equivalence among alternative programs?

V. GENERAL

1. Have the programs covered in the PM been described clearly, concisely, and quantitatively?

2. Are critical assumptions, relationships and facts spelled out? In any program area, a few factors usually are much more important than the rest. Does the analysis

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identify and focus on these critical factors? Or does it handle the important ones by assumption and concentrate on less important ones?

3. Have the most important data on a program area been presented or are key assertions made without supporting data? Should the agency be asked to prepare and forward additional data prior to the Fall budget review?

4. Has the program "base" been analyzed or has the analysis been limited largely or entirely to new programs?

5. Have the recommendations presented on a program area been compared with earlier agency recommendations on the same subject? Have data on actual program performance been compared with earlier agency claims for the program?

6. Is the recommended program composition and level based on an overall analysis of (a) need or effective demand; (b) an arbitrary rule of thumb (e.g. x percent more than last year's level); (c) Presidential commitment; (d) an estimate of the level that the Congress will accept; (e) other considerations?

7. Where the analysis is inadequate or incomplete, does the PM indicate what future work is planned to improve it; the data to be gathered, criteria to be applied, method of analysis to be used.